Free, ad based model

FINANCIAL MODELING

LECTURE SUMMARY

Covered in this lecture:

How the free and ad based model works

- This business model is used by websites that are free to use but are making their money through displaying ads on their site
- **How it works: You have a web or mobile property and your currency is foot traffic**

  Examples: Facebook, Twitter, The New York Times
- The way you get paid depends on 3 different systems:
  - CPC (Cost Per Click) - you get paid for every person who clicks on the ad
  - CPA (Cost Per Action) - you get paid when a person does something on the website after they click on the ad (signs up, purchases an item)
  - CPM (Cost Per Mille) - you get paid for a thousand impressions (when the ad gets viewed 1000 times)

- You might have ads running on one or two different systems on your website at the same time

- CTR (Clickthrough rate) - the percentage of people who see an ad and then click on it

- Total visitors - the total number of people who visit your site

- If you're building a free, ad based model, you're going to include all these concepts

See you next lecture!